COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0464-03
Bill No.: HB 521
Subject: Taxation and Revenue - Income; Revenue Department
Type: Original
Date: February 19, 2013

Bill Summary: This proposal would modify several provisions related to taxation and the collection of amounts due the state.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
General Revenue	(Up to $76,414,000)	(Up to $152,306,000)	(Up to $228,100,000)
Total Estimated Net Effect on General Revenue Fund	**(Up to $76,414,000)**	**(Up to $152,306,000)**	**(Up to $228,100,000)**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 22 pages.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Conservation Commission	$0	More than $100,000	More than $100,000
Parks, and Soil and Water	$0	More than $100,000	More than $100,000
School District Trust	$0	More than $100,000	More than $100,000
Total Estimated Net Effect on Other State Funds	**$0**	**More than $300,000**	**More than $300,000**

Numbers within parentheses: ( ) indicate costs or losses.
This fiscal note contains 22 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Total Estimated Net Effect on FTE	**0**	**0**	**0**

☒ Estimated Total Net Effect on All funds expected to exceed $100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed $100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2014	FY 2015	FY 2016
Local Government *	**$0**	**More than $100,000**	**More than $100,000**

* expected to exceed $1,000,000.

FISCAL ANALYSIS

ASSUMPTION

Due to limited time available to prepare this fiscal note, some agencies did not respond to our request for fiscal information. **Oversight** will use information provided in response to similar legislation in the previous session for agencies who did not respond.

ASSUMPTION (continued)

Section 32.070, etc., RSMo. Streamlined Sales Tax Program:

Officials from the **Office of Administration, Division of Budget and Planning (BAP)** assumed the proposal would not result in additional costs or savings to their organization. BAP officials provided the following analysis of the proposal.

This proposal would require the adoption and implementation of the Streamlined Sales Tax Agreement; the proposal would become effective Jan. 1, 2015.

Two studies of the state and local revenues that Missouri might gain from collecting sales tax on e-commerce provided an estimated range of $108 million (Eisanach & Litan, Feb. 2010) and $210 million (Bruce, Fox, & Luna, April 2009). Both studies are limited to the gains from e-commerce, and do not attempt to estimate other remote sales.

BAP officials noted that remote sellers would be able to remit sales tax under this agreement and estimated that this proposal would generate at least $10 million in Total State Revenues annually, of which $7 million would be due to the General Revenue Fund. However, the full amount may not be collected during the first year, due to the administrative processes of becoming a full member state of the SSTA.

Officials from the **Department of Conservation** and the **Department of Natural Resources** deferred to the Department of Revenue for an estimate of the fiscal impact from these provisions.

Oversight has reviewed the studies cited by BAP and we noted that there are significant differences between the two studies in the methodology used to estimate the level of internet and other remote sales, the proportion of remote sales which would be taxable, and the current level of compliance with existing tax provisions.

The Bruce, Fox, and Luna report suggests that approximately 25% of sales taxes due on e-commerce are uncollected, and that sales tax collections on e-commerce were $26.1 billion for the year 2010. This rough estimate of the uncollected sales tax would indicate that $8.7 billion was uncollected for the United States. If 1.8% of the $8.7 billion was due the state of Missouri, the additional revenue would amount to $156.6 million. The Eisenach and Litan report suggests only $3.8 billion in uncollected sales tax on e-commerce; 1.8% of that amount attributable to Missouri would be $70.2 million.

ASSUMPTION (continued)

Information reported by the United States Census Bureau indicates that online retail sales grew at an average rate of 20% per year for the years 2000 to 2007, with lower growth rates for 2007 to 2009. A report by marketing and information technology consultants Forrester Research projected a 10% annual growth rate for the years 2009 through 2015, with online sales accounting for 11% of total retail sales (excluding groceries) by 2015.

Oversight has recently been provided an estimate of Streamlined Sales Tax Program revenue by officials from the Streamlined Sales Tax Governing Board. That estimate was based on comparing population and per capita income information for Missouri with the same information for states currently participating in the Streamlined Sales Tax program. Based on those calculations, Streamlined Sales Tax Governing Board officials estimated that those Missouri state funds which receive sales tax revenues would collect an additional $13.7 million in the first full year of operation.

Streamlined Sales Tax Governing Board officials stated that the program is currently voluntary; and the member states have agreed to simplify their sales tax programs and contract with third-party transaction processors who collect and remit sales taxes to the member states. Participating multistate retailers agree to collect and remit sales taxes to member states, typically in exchange for an amnesty on prior uncollected sales and use taxes.

Oversight assumes the Governing Board estimate is the most reasonable estimate of potential additional revenue under the current voluntary program. Additional revenue could become available in the future if the United States government approves law changes to make state sales tax laws enforceable on interstate sales.

ASSUMPTION (continued)

The $13.7 million in additional collected would be due to the following state funds, and **Oversight** has also provided an estimate of additional revenues to local governments.

Entity	Tax Rate	
General Revenue Fund	3.000%	$9,738,000
School District Trust Fund	1.000%	$3,246,000
Conservation Commission Fund	0.125%	$324,600
Parks, and Soils Fund	0.100%	$405,800
Local Governments *	Average 3.800%	$12,334,900
Total	NA	$26,049,300

* The average rate for local sales and use tax is calculated based on tax revenues reported by the Department of Revenue for the year ended June 30, 2010.

For fiscal note purposes, Oversight will indicate additional revenue in excess of $100,000 per year for those state funds that receive sales tax revenues, and for local governments.

Section 143.013, RSMo. Individual Income Tax:

Officials from the **Office of Administration, Division of Budget and Planning (BAP)** assumed the proposal would not result in additional costs or savings to their organization. BAP officials provided the following analysis of the proposal.

This proposal would phase in a deduction of business income from individuals' income subject to income tax, increasing from 5% in tax year 2013, to 10% in tax year 2013, to 15% in tax year 2014; to 20% in tax year 2015; and to 25% each year thereafter. Business Income would be defined as: income arising from transactions and activity in the regular course of the taxpayer's trade or business and would include income from tangible property if the acquisition, management, and disposition of the property constitute integral parts of the taxpayer's regular trade or business operations.

ASSUMPTION (continued)

BAP officials stated they do not have data that specifically identifies taxable "business income". The IRS, in its Statistics of Income publication provides estimates for Missouri, as shown in the chart below for tax year 2010. BAP officials noted it is possible that Capital Gains or Dividend Income, as well as additional forms of income, could be included in business income in certain cases. Therefore, BAP officials estimated business income would exceed $10.5 billion. At the highest 6% marginal tax rate, the exclusion of 25% of business income could exceed $158 million, notwithstanding any inflationary growth.

Adjusted Gross Income ($Millions)	$135,415
Business Income	$3,960
Partnership Income	$6,565
Sub - total	$10,525
Ordinary Dividends	$3,295
Qualified Dividend	$2,680
Net Capital Gain	$3,803
Sub - total	$9,777
Total	$20,302

Oversight notes that the information provided by BAP indicates that business income from self-employed people and partnerships would equal $10,525 million, and the proposal would provide a maximum exclusion of 25% of that or ($10,525 million x 25%) = $2,631.25 million which would lead to a maximum personal income tax reduction of ($2,631.25 million x 6%) = $157.875 million.

Further, **Oversight** notes that if dividends and net capital gains are to be excluded from taxable income as well as self-employment and partnership income, then 25% of an additional $9,777 million or ($9,977 million x 25%) = $2,494.25 million would be excluded and personal income tax revenue would be reduced by an additional ($2,494.25 million x 6%) = $149.655 million. The total revenue reduction would then be ($187.785 million + $149.655 million) = $337.44 million.

ASSUMPTION (continued)

Officials from the **University of Missouri, Economic Policy Analysis and Research Center (EPRAC)** provided this simulation of the impact of these provisions in response to similar language in another proposal.

These provisions would phase-in a 25% "business income" subtraction from individual taxpayers' Federal Adjusted Gross Income when determining their Missouri Adjusted Gross Income over the next five years (2013-2017). We begin by enumerating "business income" for the Missouri 1040. Within our simulations we equate business income with self-employment income, and estimate self-employment income by dividing each filer's self-employment tax by their applicable tax rate. Doing so, we estimate aggregate positive "business income" at $7,229,010,965 for 312,226 Missouri filers.

Within our individual income tax simulation, these incomes are then gradually subtracted from filers' Federal AGI to arrive at their simulated Missouri AGI; a 5% subtraction for 2013, a 10% subtraction for 2014, a 15% subtraction for 2015, a 20% subtraction for 2016 and a 25% subtraction for 2017. Using the Net Tax Due from the latest 2011 individual income tax data as our baseline, we find that Net Tax Due is reduced to $4,678.502 million in 2013, to $4,663.934 million in 2014, to $4,649.610 million in 2015, to $4,635.522 million in 2016, and to $4,621.684 million in 2017.

Oversight will use the EPARC estimate of revenue reduction for this fiscal note.

Year	Business Income Deduction	Personal Income Tax Revenue	Revenue Reduction
FY 2012 (Baseline)	0	$4,693.390	NA
FY 2014	5%	$4,678.502	$14.888
FY 2015	10%	$4,663.934	$29.456
FY 2016	15%	$4,649.610	$43.780

(Amounts are in millions of dollars.)

SS:LR:OD

ASSUMPTION (continued)

Section 143.071 RSMo. Corporate Income Tax:

Officials from the **Office of Administration, Division of Budget and Planning (BAP)** assumed the proposal would not result in additional costs or savings to their organization. BAP officials provided the following analysis of the proposal.

This proposal would reduce the corporate tax rate over three years, from 6.25% to 3.25%. In FY 2012, $275.6M in net corporate taxes was received. Notwithstanding any inflationary growth, this proposal would reduce General and Total State Revenues as in the chart below:

Year	Corporate Tax Rate	Corporate Income Tax Revenue	Revenue Reduction
FY 2012	6.25%	$275.6	$0.0
FY 2014	5.25%	$231.5	$44.1
FY 2015	4.25%	$187.4	$88.2
FY 2016	3.25%	$143.3	$132.3

Officials from the **University of Missouri, Economic Policy Analysis and Research Center (EPARC)** provided this simulation of the impact of these provisions in response to similar language in another proposal.

EPARC officials noted that this proposal would reduce the corporate income tax rate from 6.25% to 5.25% in 2013, to 4.25% in 2014, and then to 3.25% in 2015. The latest 2010 corporate income tax data indicates an aggregate liability of $383.905 million. Using this figure as our baseline and reducing the corporate tax rate to 5.25%, we see the corporate tax liability reduces to $322.479 million for 2013. Further reducing the corporate tax rate to 4.25%, we see the corporate tax liability reduces to $261.055 million for 2014. Further reducing the corporate tax rate to 3.25%, we see the corporate tax liability reduces to $199.630 million for 2016.

ASSUMPTION (continued)

Oversight will use the EPARC estimate of impact for the corporate income tax rate reductions. Oversight assumes the 2013 rate reduction would be reflected on 2013 tax returns filed in 2014 (FY 2014).

Year	Corporate Tax Rate	Corporate Tax Revenue	Reduction in Revenue
Baseline	6.25%	$383.950	NA
2013 (FY 2014)	5.25%	$322.479	$61.426
2014 (FY 2015)	4.25%	$261.055	$122.850
2015 (FY 2016 and following)	3.25%	$199.630	$184.320

(Numbers in millions of dollars.)

Section 32.087, RSMo. Department of Revenue Collection Fee on Local Sales Taxes:

Officials from the **Office of Administration, Division of Budget and Planning (BAP)** assumed the proposal would not result in additional costs or savings to their organization.

BAP officials noted the provisions would create a 1% collection fee for local sales taxes collected by DOR. This fee would be deposited in the General Revenue Fund to offset Department of Revenue costs. This provision would increase General and Total State Revenues by an unknown amount.

Oversight notes that although most local sales taxes collected by the Department of Revenue are subject to a one percent collection charge, the proposal includes a provision which would make all local sales tax collections subject to the one percent charge.

Oversight will include unknown additional revenue for the 1% collection fee for the General Revenue Fund for FY 2014, FY 2015, and FY 2016, and a corresponding reduction in revenues for local governments, for the additional sales tax collection charges.

ASSUMPTION (continued)

Section 144.001 RSMo. Sales Tax Technology Act:

Officials from **the Office of Administration, Division of Budget and Planning** (**BAP**) assumed the proposed legislation would not result in additional costs or savings to their organization.

BAP officials noted that the proposal would require all new businesses and those with delinquent sales tax payments to participate in an automatic sales tax system, to be developed by the Department of Revenue. Existing businesses could also volunteer to participate. The very largest and very smallest businesses would be exempt from mandatory participation.

In addition, BAP officials assumed that to the extent this system would reduce sales tax evasion, General and Total State Revenues and local revenues may increase. To the extent this system prevents delinquent payments, revenues may be received in a timelier fashion. BAP officials were not able to estimate the additional revenues.

In response to HB 1679, LR 5350-01 (2012) officials from the **Department of Revenue** (**DOR**) assumed the proposal would require the adoption of an automated sales and use tax system for new or delinquent businesses, with all costs associated with purchasing and maintaining the hardware and software to be paid by the business.

Revenue impact

DOR officials were not able to determine if this legislation would have an impact on Total State Revenue. However, some portion of the tax on sales is unreported or unpaid and this legislation may result in fewer and smaller delinquencies if all businesses that would be required to use this collection method comply. This legislation would not impact the largest or smallest filers.

ASSUMPTION (continued)

Administrative impact

DOR would be required to implement an automated sales and use tax system for the collection and remittance of state and local sales and use taxes. The system would be mandatory for any new business or delinquent business, and any business could adopt the system voluntarily. A new or previously delinquent business that adopted the automated system would be exempt from posting a sales tax security bond, and would be entitled to claim the prompt payment allowance. All costs associated with the hardware and software would be the responsibility of the business subject to any credit, offset, or adjustment as may be authorized by DOR.

The department would be authorized to contract with one or more third-party tax collection and remittance providers to implement and operate the system, and would be required to notify any new business or delinquent business of the requirement; such businesses would have thirty days to implement the system as required. Failure to comply would result in revocation of the business's state sales and use tax license and other penalties.

The department could defer implementation of the automated sales and use tax collection system for certain businesses if the existing system for that business does not interface with the automated system. Integration of those systems would be implemented as promptly as reasonably possible.

DOR could promulgate rules to implement the new provisions, and DOR and ITSD-DOR would need to make programming changes to various tax systems.

DOR officials assume that Collections and Tax Assistance (CATA) would require one additional FTE Revenue Processing Technician I (Range 10, Step L) per 24,000 additional contacts annually on the registration/technical sales phone line, with CARES equipment and agent license, and one additional FTE Revenue Processing Technician I (Range 10, Step L) per 4,800 contacts annually to the field offices with CARES equipment and agent license.

The DOR response included two additional employees, with related benefits and equipment and expenditures, totaling $83,046 for FY 2013, $81,652 for FY 2014, and $82,516 for FY 2015.

ASSUMPTION (continued)

Oversight assumes the DOR estimate of expense and equipment cost for the new FTE could be overstated. If DOR is able to use existing desks, file cabinets, chairs, etc., the estimate for equipment for fiscal year 2012 could be reduced by roughly $6,000 per employee.

Oversight notes that this proposal would require delinquent and new retailers to implement the automated system, and also notes that the system would only apply to debit and credit card purchases for those retailers. Further, certain retailers such as hotels and motels, convenience stores, and fuel dealers would be exempted from the program. Those retailers would still be required to report sales and sales tax collected on sales tax returns, and DOR would be required to develop a method for merchants to reconcile sales information from the automated system with the retailers information on other transactions, such as check, cash, or otherwise.

Because of the limited number of retailers which would be initially subject to the proposed requirements and the automated process involved, Oversight assumes that only one additional employee would be required to implement this proposal. When a sufficient number of retailers are enrolled in the system to justify additional resources, those resources could be requested through the budget process.

IT impact

DOR officials provided an estimate of the IT cost to implement this proposal of $109,604 based on 4,136 hours of programming to make changes to DOR systems.

Oversight will indicate costs for the Department of Revenue in excess of $100,000 per year due to the lack of current information from DOR. This proposal would be implemented as of July 1, 2014 (FY 2015) and Oversight will include cost for the Department of Revenue for FY 2015 and FY 2016.

ASSUMPTION (continued)

Additional Oversight assumptions

Oversight has reviewed the available information regarding sales tax revenue for retailers which might become subject to these provisions.

A. Based on the Department of Revenue annual report for the year ended June 30, 2010 Oversight has estimated that taxable sales for general sales tax purposes are approximately $60 billion per year, and taxable sales for other purposes are approximately $68 billion per year. The difference is attributable to food sales which are not subject to the general sales tax. Sales tax amounts due under existing provisions are shown in the following chart.

Tax	Rate	Revenue
General	3.000%	$1,800,000,000
Conservation Commission	1.250%	$85,000,000
Schools	1.000%	$680,000,000
Parks, and Soil and Water	0.100%	$68,000,000
Local Governments (average rate)	3.380%	$2,298,000,000
Totals		$4,931,000,000

B. There were 44,034 delinquent sales and use tax accounts with $132.6 million in balances as of September 2011. That $132.6 million in balances due would represent approximately 2.4% of a year's collections.

The Department of Revenue reported total tax and other collections of $13,236 million for FY 2011, which included $456 million in delinquent collections of all kinds. Those delinquent collections would represent ($456/$13,236) = 3.4% of the annual tax collection total.

ASSUMPTION (continued)

Oversight assumes that between 2.4% and 3.4% of retailers would become delinquent each year, and will use 2.9% for purposes of estimating revenues subject to the proposed requirements.

C. The proposal would allow the Department of Revenue to defer implementation of the electronic reporting and payment requirements for retailers such as pay at the pump fueling stations and hotels and motels, if their existing equipment would not interface with the required electronic cash register system. Oversight notes that such a deferral does not provide an exemption for these retailers, but the deferral would have the same effect on revenues during implementation of the program.

Data from the United States Census Bureau data indicates that gas stations and convenience stores account for $336 billion in sales per year, and that hotel and motel sales are $177 billion per year, out of total retail sales of $3.6 trillion per year. Gas stations are therefore ($336/$3,600) = 9.3% of total sales, and hotel and motel sales are ($177/$3600) = 4.9% of total sales.

Oversight assumes that Missouri data would be consistent with federal data, and therefore the remaining (100% - ((9.3% + 4.9%) = 14.2%)) = 85.8% of sales could become subject to these requirements initially.

D. Based on information from a banking trade group publication and an independent research group publication, credit and debit cards account for approximately 53% of retail sales for the United States. Oversight again assumes that Missouri data would be consistent with federal data, and that 53% of sales would be transacted with credit and debit cards.

E. Based on information provided by the Department of Revenue, there are approximately 116,000 sales tax licensees and there were approximately 13,500 new licensees in FY 2011. Accordingly, Oversight assumes that approximately (13,500/116,000) = 11.6% of licensees would become subject to the electronic cash register requirement each year.

ASSUMPTION (continued)

Oversight assumes that retail sales which could become subject to the mandatory provisions of the electronic cash register program would be approximately ((11.6% new retail licensees + 2.9% delinquent retail licensees) = 14.5% of retail licensees x 85.8% not subject to deferral x 53% debit and credit card transactions) = 6.6% of total sales revenues. The amounts are shown below.

Sales Tax Category	Estimate Total Sales Tax Revenue	Estimated Amount of Sales Tax Revenue Subject to Mandatory Collection Provisions
General	$1,800,000,000	$118,800,000
Conservation	$85,000,000	$5,610,000
Schools	$680,000,000	$44,880,000
Parks, and Soil and Water	$68,000,000	$4,488,000
Local Governments (average rate)	$2,298,000,000	$151,668,000
Total	$4,931,000,000	$325,446,000

Oversight assumes the electronic reporting and collection provisions for new and delinquent businesses would lead to more timely collection of revenues, and could increase revenues by reducing delinquencies and related losses. Oversight is not able to estimate the extent to which that might occur and notes these provisions would have a larger impact as more retailers join the electronic reporting and collection system.

Oversight also notes that this proposal includes an incentive for existing retailers to join the program. A business enrolled in the automated sales and use tax collection system could deduct and retain a discount equal to two percent of taxes remitted, but a business that is not enrolled in such automated system would be limited to a one percent discount.

ASSUMPTION (continued)

Oversight assumes that the incentive provision would significantly increase the percentage of businesses which would choose to participate but is not able to estimate the impact of this provision. In addition, Oversight assumes some businesses would decline to participate in the automated system if the cost of the system exceeds the additional discount available to that business.

Oversight will include an unknown amount of additional revenue for retailers which would be subject to the reduced discount.

For fiscal note purposes **Oversight** will indicate unknown additional revenues (expected to exceed $1 million) due to increased and/or more prompt sales tax collections for the General Revenue Fund and local governments and More than $100,000 in additional revenues for those other funds which would receive sales taxes subject to these provisions.

Finally, **Oversight** notes that estimates based on historic data may not provide a good indication of future results when significant changes are made to a program.

Oversight assumes the electronic reporting requirements would not have an impact on those funds dedicated to transportation since the tax on vehicle sales is collected by the Department of Revenue, and motor fuel taxes are collected by retailers subject to the pay-at-the-pump system deferral.

Oversight assumes the revenue reductions (changes in Sections143.011 and 143.071) would be more than the additional revenue items; therefore, Oversight will reflect the net fiscal impact as (Up to $76,414,000) in FY 2014, (Up to $152,306,000) in FY 2015, and (Up to $243,410,000) in FY 2016.

Proposal as a whole responses

Officials from **St. Louis County** assume this proposal would have a minimal fiscal impact on their organization.

Officials from the **Joint Committee on Administrative Rules** assume that this proposal would not have a fiscal impact to their organization in excess of existing resources.

FISCAL IMPACT - State Government	FY 2014	FY 2015	FY 2016
GENERAL REVENUE FUND			
Additional revenue - Streamlined Sales Tax (Section 32.070, Etc)	$0	More than $100,000	More than $100,000
Additional Revenue - DOR 1% collection fee (Section 32.087)	Unknown	Unknown	Unknown
Additional revenue - automated sales tax collections (Section 144.001) *	$0	Unknown	Unknown
Additional revenue - reduced deductions for certain retailers (Section 140.140)	$0	Unknown	Unknown
Revenue reduction - DOR Personal income tax provisions (143.013)	($14,888,000)	($29,456,000)	($43,780,000)
Revenue reduction - DOR Corporate tax rate (Section 143.071)	($61,426,000)	($122,850,000)	($184,320,000)
Cost - DOR Various provisions	(More than $100,000)	(More than $100,000)	(More than $100,000)
ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	**(Up to $76,414,000)**	**(Up to $152,306,000)**	**(Up to $228,100,000)**

* expected to exceed $1 million

FISCAL IMPACT - State Government (continued)	FY 2014	FY 2015	FY 2016
CONSERVATION COMMISSION FUND			
Additional Revenue - DOR Streamlined Sales Tax (Section 32.070, Etc)	$0	Unknown	Unknown
Additional Revenue - DOR- automated sales tax collections (144.001)	$0	More than $100,000	More than $100,000
ESTIMATED NET EFFECT ON CONSERVATION COMMISSION FUND	**$0**	**More than $100,000**	**More than $100,000**
PARKS, AND SOIL AND WATER FUND			
Additional Revenue - DOR Streamlined Sales Tax (Section 32.070, Etc)	$0	Unknown	Unknown
Additional Revenue - DOR - automated sales tax collections (144.001)	$0	More than $100,000	More than $100,000
ESTIMATED NET EFFECT ON PARKS, AND SOIL AND WATER FUND	**$0**	**More than $100,000**	**More than $100,000**

FISCAL IMPACT - State Government (continued)	FY 2014	FY 2015	FY 2016
SCHOOL DISTRICT TRUST FUND			
Additional Revenue - DOR Streamlined Sales Tax (Section 32.070, Etc)	$0	Unknown	Unknown
Additional Revenue - automated sales tax collections (144.001)	$0	More than $100,000	More than $100,000
ESTIMATED NET EFFECT ON SCHOOL DISTRICT TRUST FUND	**$0**	**More than $100,000**	**More than $100,000**

FISCAL IMPACT - Local Government	FY 2014	FY 2015	FY 2016
LOCAL GOVERNMENTS			
Additional Revenue - DOR Streamlined Sales Tax (Section 32.070, Etc)	$0	More than $100,000	More than $100,000
Additional Revenue - DOR- automated sales tax collections* (144.001)	$0	Unknown	Unknown
Revenue Reduction - DOR 1% collection fee (32.087.6)	$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON LOCAL GOVERNMENTS *	**$0**	**More than $100,000**	**More than $100,000**

*Unknown expected to exceed $1 million

FISCAL IMPACT - Small Business

Chapter 32- This proposal could have a direct fiscal impact to small businesses which would be eligible and apply for the amnesty program.

Section 144.001 -This proposal would have a direct fiscal impact to small businesses which would be required to implement an automated sales tax processing system for debit and credit cards.

FISCAL DESCRIPTION

This proposal would make several changes to various tax provisions.

* The proposal would require the state and local governments to implement the Streamlined Sales Tax Act.

* The Department of Revenue could retain 1% of the amount of any local sales or use taxes collected by the department for the cost of collection.

* A graduate deduction of personal income would be provided beginning in 2013, and corporate income tax rates would be reduced.

* This proposal would implement a Sales Tax Technology Act.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Secretary of State
Office of Administration
    Division of Budget and Planning
    Division of General Services
Department of Agriculture
Department of Conservation
Department of Economic Development
Department of Elementary and Secondary Education
Department of Insurance, Financial Institutions, and Professional Registration
Department of Natural Resources
Department of Revenue
Joint Committee on Administrative Rules
University of Missouri
    Economic and Policy Analysis Research Center
City of Kansas City

Ross Strope
Acting Director
February 19, 2013

SS:LR:OD